


Appendix C

**DECLARATION OF STANLEY G. SCHWARZ**

1. My name is Stanley G. Schwarz. I am President of Gordon Howard Associates and President of Passtec Security Systems LLC ("Passtec").
2. My duties include sales of the PASSTEC product.
3. I make this declaration from my personal knowledge and could testify to the facts herein if necessary.
4. Attached as Attachments 1 - 5 to this Declaration are a letter and promotional materials describing the PASSTEC product, manufactured by Pacific Insight Electronics Corp., and sold by Passtec. That product, as described in the attachments, has been on sale in the United States since prior to August 10, 1998.
5. Attached to this Declaration as Attachment 1 is a copy of a letter regarding the PASSTEC product, along with the Fedex proof of mailing. The letter was sent by Passtec on June 16, 1998 to Bill Daily of J&B Auto Sales.
6. Attached to this Declaration as Attachments 2 - 5 are copies of the standard set of PASSTEC promotional materials that, in my recollection, were included with the letter to Mr. Daily.
7. As part of my sales activities relating to the PASSTEC product, I distributed the materials of Attachments 2 - 5 to both actual and potential customers in person, by mail and at trade shows. This distribution took place at least in part prior to August 10, 1998.

Declared under penalty of perjury on this 9<sup>th</sup> Day of April, 2003.

  
STANLEY G. SCHWARTZ

# **PASS/TEC**

**Payment Assured / Technology**

10 Vaughn Mall, Suite Three  
Portsmouth, NH 03801  
Phone: (603) 433-0010  
Fax: (603) 433-0023

Tuesday, June 16, 1998

Bill Daily  
J & B Auto Sales  
2612 North Bek Highway  
St. Joseph, MO 64506

Dear Bill:

Thank you for taking time out of your schedule to speak with me today. Jeff Daum referred your name to me and I promised him I would contact you regarding our product, **PASSTEC**. I greatly appreciate your interest in the **PASSTEC** collateral protection system. As you had requested, I am enclosing a **PASSTEC** product package, which includes product data, pricing information, and sample disclosure statements.

**PASSTEC** is manufactured by Pacific Insight Electronics located in British Columbia, Canada. Pacific Insight currently manufactures products for General Motors, Ford Motor Company, Mercury Marine, and Volvo Heavy Truck, just to name a few, and have been the recipients of General Motors' Supplier of the Year award for 1995, 1996, and 1997.

**PASSTEC**, an electronic security device designed for the special finance industry, has an internal clock. Every 17 or 40 days, depending on the unit model, the lender must reset the clock or it shuts the vehicle down. The following is what you will get with the **PASSTEC** system:

- An installation kit that includes the unit, installation instructions, a reference manual, two key fobs per unit, and one master fob.
- Each **PASSTEC** unit will be programmed with either a 17 or 40 day timing software package. At the time of delivery, the customer will be given at least one key fob (we recommend the other be kept in the customer file). One key fob must be used every time the vehicle is started.
- To reset the timing mechanism, the customer will bring the vehicle to one of the dealer locations and they will swipe the master tag over the reader, which resets the timing mechanism for an additional 17 or 40 days.

- The product is easily installed. Installation time takes approximately 25 to 40 minutes depending on the type of vehicle and experience of the technician. We will provide installation instructions as well as a technical support line.
- We recommend that language be added to the loan documents stating that as a condition of the loan, **PASSTEC** is being added to the vehicle, and tampering with the device is a condition of default.
- At the end of the loan, the dealer has the option of either selling the customer a permanent unit or removing the unit and re-installing it into another vehicle, thus recovering 100% of the product cost.

Product pricing is set at \$150.00 per unit, which includes: 2 customer key fobs, 1 dealership master tag, the **PASSTEC** unit, and all necessary installation hardware.

I feel **PASSTEC** would be a great asset for your company and would appreciate the opportunity to discuss it with you further. I will plan to follow-up with you either later this week or the beginning of next week. However, should you have any questions or require additional information, please feel free to contact me at (800) 579-9077. Thank you again for your interest in the **PASSTEC** collateral protection system. I look forward to speaking with you soon.

Respectfully,

Carol Sanderson  
Director, National Sales and Marketing

Enclosure

# Feed USA Airbill

From (please print) 6-16-98 Sender's Office Account No.

Sender's Name Carol Sanderson

Passec

10. Younger Mall

**2** Boston Year Journal Shipping References Information Date

3. Tolpence pr(m)

Bill Daily  
11/11/10

9/13 N.Y. 11 D 11 11

WOLF of Paderborn, prima facie evidence here!

For 110LD at FedEx Location check here

<input type="checkbox"/> Mail Wednesday	<input type="checkbox"/> Mail Saturday
<input type="checkbox"/> Post include with	<input type="checkbox"/> Post include with
<input type="checkbox"/> Post include with	<input type="checkbox"/> Post include with

Printed Conditions, Restricted Notes, and Limit of Liability - By using this AIAA is apt to be the service conditions in our current Service Guide or U.S. Government Service Guide. Such are available on request. SEE BACK OF

NEVER'S ENOUGH OF THE ABOVE FOR INFORMATION AND ADDITIONAL TALKING  
will not be responsible for any claims in excess of \$200 per package whatever  
result of loss, damage, or delay, non-delivery, misdelivery, or misinformation.  
This is not a contract. It is a statement of intent. It is not a warranty. It is a statement of  
intent. It is a statement of intent. It is a statement of intent. It is a statement of intent.

## Questions?

**Sender's Copy**

**On** Express Package Service Postages  
FedEx Priority Overnight ☐ FedEx Standard ☐  
Business hours only

**AT&T FedEx First Overnight**  
 Shuttling your business-critical documents to your destination

**Express Freight Service** Postages and  
Fees in Quoted Column

Call for delivery schedule. See back for detailed information.

**5 Packaging** ☒ **Portx** ☐ **Portx** ☐ **Portx**  
System of making Portx 2000

**Special Handling**  
Does this shipment contain dangerous goods?

**Payment**

☒ **Carrier**  
Members in  
household will be taking

\_\_\_\_\_

Weighted Packages	Base Weight	Total Ounces
1	1	1

**Release Signature** Signs to authorize a release

major programs have many readers already knowing just a sliver of the facts and knowledge a complete analysis and report will bring to the table. Many companies already are



**PASSTEC:** The first product of its kind offering collateral protection to the dealer/lender while simultaneously offering customers anti-theft vehicle protection.

**PASSTEC:** Developed with the sub-prime and secondary finance market in mind. Designed to install in any vehicle to prevent it from starting if payments are not current. At the end of the loan, the product can then be sold to the customer and put into a permanent operation mode, or re-installed in another dealer vehicle.

**PASSTEC:** "Turn-key" product and program. Each unit comes with two customer key fobs, and a dealer master tag. All products come with a complete installation package, including necessary hardware, and installation instructions. Additional technical service information is available with no additional fees.



## *Dealer / Customer Product Benefits*

- Reduce customer default rates.
  - Provides customers with a legitimate security device and savings on comprehensive insurance rates.
  - Ties customer to dealership, promoting greater customer loyalty.
  - Allows dealer to see vehicle condition every 30-days.
  - Increases service business potential by bringing the customer to the facility on a regular basis.
  - Product cost can either be passed on to the customer or product can be transferred to another vehicle.
  - Better customer relations = increased referral base and increased repeat business.
-



## *Dealer / Product Information*

- *Order Forms*
- *Sample Customer Disclosure Statement*
- *Overview Sheet & Installation Instructions*



## Order Form

Order Date: \_\_\_\_\_

Needed By: \_\_\_\_\_

### Company Information

### Shipping Information

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
Ordered By / Title

\_\_\_\_\_  
City / State / Zip

\_\_\_\_\_  
PO Number

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Fax

### PASSTEC Order Amount:

\_\_\_\_ 17 Day PASSTEC

\_\_\_\_ 40 Day PASSTEC

\_\_\_\_ Additional Master Tags (\$150.00 each)

\_\_\_\_ Additional Customer Key Fobs (\$20.00 each)

\*Product due in \_\_\_\_\_ days to customer.

\_\_\_\_\_  
Total Amount Due: \$ \_\_\_\_\_

### Form of Payment:

\_\_\_\_ Mastercard    \_\_\_\_ Visa    \_\_\_\_ Check    \_\_\_\_ FEDEX C.O.D.

\_\_\_\_\_  
Credit Card Number \_\_\_\_\_ Expiration Date

Please make checks payable to: PASSTEC

1442 Market Street, Suite 200

Denver, CO 80202

**Fax order to: (303) 623-6500**





## Customer Disclosure Statement

Dear Customer:

The vehicle you are purchasing is equipped with a PASSTEC Security System (the device.) The lender (lienholder) of your vehicle has required the installation of the device as a condition of approving your loan.

The PASSTEC Security System is and will remain the property of the lender (lienholder). The loan agreement between you and the lender (lienholder) states that if you tamper, alter, disconnect or remove this device, they have the right to **REPOSESS YOUR VEHICLE**. The agreement also states that removing the device **IS A CRIME FOR WHICH YOU CAN BE PROSECUTED!**

The PASSTEC Security System will help protect your vehicle from theft. You may qualify for a **DISCOUNT ON YOUR COMPREHENSIVE INSURANCE**. We are providing you with an **INSURANCE CARD** that you should give to your insurance company or agent. They will tell you if you are eligible for a premium discount.

Your PASSTEC Security System **MUST BE RESET AT LEAST ONCE EVERY 40 DAYS**. Provided you are current with your loan payment, the lender (lienholder) will continually reset your system for you, **AT NO CHARGE TO YOU**. You must bring your vehicle to your lender (lienholder) to have this done.

**IF YOU DO NOT HAVE YOUR PASSTEC SECURITY SYSTEM RESET, AT LEAST ONCE EVERY 40 DAYS, YOU WILL NOT BE ABLE TO START YOUR VEHICLE.**

We thank you for your business and know you will enjoy the additional anti-theft protection of the PASSTEC Security System.

Sincerely,

Dealer Principal

I have read and I have received a copy of this letter.

- \_\_\_\_\_  
Initial I understand a PASSTEC Security System has been installed in the vehicle I am buying.
- \_\_\_\_\_  
Initial I understand the PASSTEC Security System belongs to the company lending me the money to buy this vehicle.
- \_\_\_\_\_  
Initial I understand that keeping the PASSTEC Security System in my vehicle is a condition of my receiving this loan.
- \_\_\_\_\_  
Initial I understand that it is a crime to remove the PASSTEC Security System from my vehicle.
- \_\_\_\_\_  
Initial I understand that the company giving me a loan to buy this vehicle can REPOSESS MY VEHICLE if I remove, tamper with or Disconnect the PASSTEC Security System.
- \_\_\_\_\_  
Initial I understand that the PASSTEC Security System must be reset, by the company selling my vehicle, AT LEAST ONCE EVERY 40 DAYS.
- \_\_\_\_\_  
Initial I understand that if I do not have the PASSTEC Security System reset AT LEAST ONCE EVERY 40 DAYS, I WILL NOT BE ABLE TO START MY VEHICLE.

I have read, received a copy of, and completely understand each of these statements  
I have initialed, and agree to do what they say.

\_\_\_\_\_  
Customer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness



## Overview Sheet

### System includes the following parts:

- (2) PASSTEC User Tags
- (1) Lender Tag
- (1) Control Module
- (1) Reader
- (1) Installation Pack
- Installation Instructions
- PASSTEC Overview Sheet

⇒ When the system is first installed, the internal timer will start counting down when power is first applied. Therefore, the master tag should be passed over the reader just before the customer leaves the lot.

### Lender Features:

Internal timer is reset each time the Lender Tag is passed over the reader surface, this will simulate payment from customer and give the customer their (17 or 40) day rental period, after which the PASSTEC times out.

Unit is now ready for normal starting operation, take one of the user tags and pass it over the reader, a valid tag confirmation chirp will be heard and the key can be placed in the ignition and the vehicle started. This operation can be repeated until the unit times out. After the unit has timed out (17 or 40 days) a non-valid chirp is heard when the user tag is passed over the reader and vehicle will not start.

### Warning Feature:

A series of chirps will sound for fifteen seconds starting on the 15<sup>th</sup> or 35<sup>th</sup> day, depending on the unit, to warn the customer that the unit time is coming to an end.

### Valet Feature:

To demonstrate the valet function of the PASSTEC system, hold the user tag over the reader for 5 consecutive chirps. A valet chirp will be heard and the unit is now in Valet

mode. Vehicle can now be started without having to show the tag to the reader each time to start the vehicle. A confirmation chirp will be heard each time the ignition is turned off to remind you the system is in valet mode.

To disable valet mode and return to normal starting mode, pass the user tag across the reader as normal. (This feature will in no way stop the timer function from counting down.)

**Programming Additional User Tags:**

To program new user keys if the customer wants to replace or add a tag. (Please note customer has to have at least one of his original user tags to program additional tags.) Hold user tag up to reader for 11 consecutive chirps, after 11 chirps a programming mode chirp will be heard and the unit will beep once per second, now show the reader the new tag. A confirmation chirp will be heard and the new tag is now valid for use.

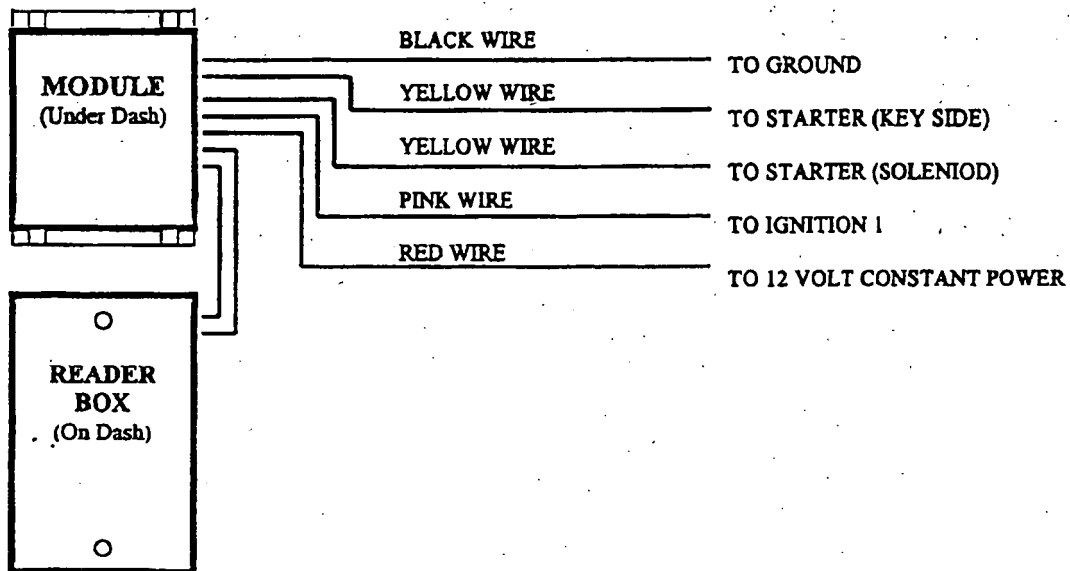
**PASSTEC to Permanent Feature:**

This feature allows the lender agency to terminate the PASSTEC time out feature. For example the customer has made all their payments for the term of their contract and would still like the benefit of a vehicle anti theft system.

Step (1): To go from the PASSTEC mode to a permanent mode, hold the lender tag up to the reader for ten consecutive chirps and a triple chirp will be heard. The unit is now in a permanent mode as the timing mechanism has been disarmed. All the above features will work normally with the only change being to the customer is they will not have to return to the dealer location to have the unit reset.



## INSTALLATION DIAGRAM



# ***PASSTEC* -- Installation Instructions**

## **General Information:**

Installing the *Passtec* is a simple procedure. Prior to beginning the installation, read all directions thoroughly. All connections will be made in close proximity to the steering column in the wiring harness which runs up the column towards the steering wheel.

## **Mounting the Module:**

The *Passtec* should be mounted under the dash in the area of the steering column. When the installation is complete, the module should not be visible when looking under the dash. This will prevent the thief from locating the unit and attempting to disconnect the wiring.

Using the two (2) long plastic tie wraps provided, mount the module to existing vehicle components. Tighten the straps to insure that the module does not rattle during vehicle operation.

## **Electrical Connections:**

The following electrical connections are required for proper installation:

### **1. Connecting the Black Wire -- Ground**

The black wire is the ground to the *Passtec*. Using one of the pink plastic connectors provided, connect the unit's black wire to either an existing ground wire in the vehicle or to any metal surface in the vehicle which is grounded or to the negative (-) post of the battery.

### **2. Connecting the Pink Wire -- Ignition**

The pink wire provides the ignition signal to the *Passtec* unit. Using one of the blue/brown plastic connectors provided, connect the pink wire to an ignition wire in the vehicle. The vehicle's ignition wire will have 12 volts on it when the key is in the "ignition on" position and the "crank" position and no power on it when the key is in the off position. Be sure to verify that there is still power on the ignition wire when the key is in the crank (start) position.

### **3. Interrupting the Starter Wires**

In order to complete the installation, the vehicle's starter solenoid wire must be cut. This wire runs from the ignition switch to the starter solenoid in the engine compartment. To locate this wire, use a test light to find a wire with power on it only in the crank (start) position. This wire should be traced back to the vehicle's fire-wall and cut about six (6) inches from where the wire passes through to the engine compartment. The starter wires are to be connected to the module's yellow wires. If possible, these two connections should be soldered and taped to provide a good electrical connection. Connectors have been provided, if this is not possible.

## Installation Instructions

### Page 2

#### 4. Connecting the Red Wire – Battery

The red wire provides battery power to the *Passtec* at all times. Using one of the blue/brown connectors supplied, connect the red wire to a wire in the vehicle which has 12 volts on it at all times. This wire can be located in the steering column wiring harness.

#### 5. Connecting the Module to the Reader Box

The pair of black wires with the pink quick disconnects already installed provide this connection. The module and the reader box are easily connected by inserting the pink quick disconnects into the bottom of the reader box.

#### 6. Installing the Fuse

Insert the fuse into the black outlet connected to the red (12 volt) wire. The module will chirp when this task is completed.

#### 7. Mounting the Reader

The reader should be mounted on the bottom side of the dash panel, near to the ignition switch, but at least 6 inches away. Mount the reader with either the foam mounting pad or the two included screws. Note: If the reader is mounted behind a metal surface, it will not function.